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September 24, 2008

**RECEIVED**

**SEP 26 2008**

Mark Brandsgard, Chief Clerk  
Iowa House of Representatives  
State Capitol Building

**HOUSE OF REPRESENTATIVES**

Dear Mr. Brandsgard:

I respectfully submit to you the first annual reports from the Treasurer of State regarding fiscal year 2008 investment activity related to Iowa Code 12F 'Restrictions on Sudan-Related Investments'. Attached are reports for the State Operating Fund, the Iowa Judicial Retirement System, and the Iowa Peace Officers' Retirement, Accident and Disability System.

Respectfully Yours,

A handwritten signature in black ink, reading 'Michael L. Fitzgerald', written in a cursive style.

Michael L. Fitzgerald  
Treasurer of State

Cc: Representative Pat Murphy  
Speaker

Representative Kevin McCarthy  
Majority Leader

Representative Christopher Rants  
Minority Leader

**Iowa Judicial Retirement System**  
**Annual Report**  
**On Sudan Divestment**  
**For The Fiscal Year Ended June 30, 2008**

**Purpose**

This is the first annual report required by Iowa Code Chapter 12F regarding restrictions on Sudan-related investments by the Iowa Judicial Retirement System (JRS). In response to the ongoing human rights situation in the Darfur region of the country of Sudan, the General Assembly passed SF361, which places restrictions on investments in certain companies that have active business operations there. Effective beginning July 1, 2007, this law intends for state funds not to be invested in companies that provide power production-related services, mineral extraction activities, oil-related activities, or military equipment to the government of Sudan.

Chapter 12F applies to JRS in the following ways:

The system must identify and make available to the public a quarterly updated list of scrutinized companies, which have active or inactive business operations in Sudan. JRS solely uses information published by the Sudan Divestment Task Force to comply with this requirement.

JRS is prohibited from directly investing in scrutinized companies with active business operations listed on the most current quarterly list. The fund is also required to eventually divest from any company with active business operations that were directly held by the fund as of July 1, 2007 after sending written notification to the company.

Any company owned indirectly through a fund is not subject to divestment, but still requires that JRS send written notification. Further, JRS is required to send written correspondence to the investment managers of funds with scrutinized company holdings urging the managers to divest of the scrutinized companies or start a separate fund free of Sudan-related holdings.

**Scrutinized Companies List**

JRS' final FY 2008 quarterly scrutinized companies list is attached. As of June 30, 2008 JRS does not hold, either directly or indirectly, any companies from the quarterly divestment list.

**Written Notices**

JRS international exposure is solely in an investment fund. So no companies on the scrutinized company list were held directly. However, there were several companies with active business operations that were held indirectly in the fund. As per the requirements of the law, JRS sent letters to these companies urging them to cease all active business operations in the country of Sudan. These companies were Wartsila, Weatherford International and the Weir Group.

Several letters were also sent from JRS to indirectly held companies who had inactive business operations in Sudan. These letters urged the companies to not renew operations in Sudan and do what they can to get taken off the scrutinized companies list. These companies were MAN AG, Schlumberger, and Total SA.

Letters were also sent to the two fund managers that held the scrutinized company securities for JRS. These managers were notified of the law and urged to divest of any company on the scrutinized company list, or start a separate fund that JRS could invest in that would be free of any Sudan-related investments.

#### **Divestment**

As JRS did not have any direct holdings of scrutinized companies no divestment was required. Indirect investments do not require divestment.

All companies held by JRS indirectly, with the exception of Wartsilia, have since been dropped from the scrutinized company list. Wartsilia was still on the scrutinized company list and still held indirectly by JRS as of the final quarterly listing. Prior to the end of the fiscal year, however, this position was sold for reasons unrelated to the Sudan legislation.

#### **Report Availability**

This report, along with any other quarterly scrutinized company list can be obtained by contacting the Treasurer's office at 515-281-6878 or [kyle.rice@iowa.gov](mailto:kyle.rice@iowa.gov).

## **Sudan Divestment List:** Updated April 1, 2008

The following company is held on behalf of the Judicial Retirement System in a commingled fund:

*Wartsila Oyj* (Finland) - \$1,276 USD in fund, less than 0.01% of Iowa's holdings in the fund.

### **Companies with active business operations in Sudan:**

Company Name – Country of Headquarters

*Subsidiaries*

PetroChina – China

*CNPC Hong Kong*

*China National Petroleum Corporation a.k.a. CNPC*

Petroliam Nasional Berhad – Malaysia

*Petronas Gas*

*Petronas Dagangan*

*MISC Berhad (Malaysia International Shipping Company)*

*Optimal Olefins (Malaysia) SDN Berhad*

*Petronas Fertilizer (Kedah) SDN Berhad*

*Petronas Assets SDN Berhad*

*Petronas Capital Limited*

*Midiciti Resources SDN BHD*

Oil and Natural Gas Company a.k.a. ONGC – India

*Mangalore Refinery and Petrochemicals Ltd.*

Sinopec Group a.k.a. China Petrochemical Corporation – China

*Sinpec Shanghai Petrochemical Co. Ltd.*

*Sinopec Kanton Holdings*

*Sinopec Corp a.k.a. China Petroleum and Chemical Corporation*

Lundin Petroleum AB – Sweden

*Lundin International SA*

AREF Investment Group – Kuwait

Ranhill Berhad – Malaysia

Dietswell Engineering - France

Muhibbah Engineering Berhad - Malaysia

Kencana Petroleum Berhad - Malaysia

Kejuruteraan Samudra Timur Bhd. (KSTB) - Malaysia

Petrofac – U.K.

AviChina a.k.a. AviChina Industry & Technology Company Ltd. – China

*Jiangxi Hongdu Aviation a.k.a. Hongdu Aviation*

*Hafei Aviation Industry*

*Jiangxi Changhe Automobile Co.*

*Dongan Motor a.k.a. Harbin Dongan Auto Engine Co.*

Harbin Power Equipment Company Limited - China

Alstom – France

*Wuhan Boiler Co.*

Bauer AG – Germany

Petrofac - UK

Wartsila Oyj – Finland

Bharat Heavy Electricals – India

Dongfeng Automobile Company Limited – China

Indian Oil Corporation Ltd. a.k.a. IOCL – India

*Lanka IOC Limited*

*Chennai Petroleum Corporation Limited (CPCL)*

*Bongaigaon Refinery & Petrochemicals Limited (BRPL)*

Scomi Group Berhad a.k.a. KMC Oil Tools – Malaysia

*Scomi Engineering Berhad*

*KMCOB Capital Berhad*

PECD Berhad – Malaysia

Electricity Generating Public Company Limited a.k.a. EGCO – Thailand

*Khanom Electricity Generating Co. LT*